



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 7/12/2002

GAIN Report #CH2624

## China

## Product Brief

## Pet Food

**2002**

Approved by:

**Sam Wong**

**U.S. Consulate General Guangzhou**

Prepared by:

John D. Rutledge

---

### Report Highlights:

**Dog and cat ownership in China is rising, creating pet food export opportunities. Once a net pet food exporter, China has recently become a net importer of pet food importer. Local retail outlets carry both domestic produced and imported varieties of pet food.**

---

Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Guangzhou [CH3], CH

Many years ago, when it came to pet ownership in China, birds usually were the pet of choice for interested urban residents. However, as China's economy developed and individual income levels rose, pet ownership increased and so did pet variety. Cats and dogs have started to become common urban pets and this situation has led to both the initiation of pet food production in China and the creation of pet food export opportunities for overseas suppliers. Although the current market for pet foods currently is rather small, its potential for growth is large.

## **The Market**

The rarity of cat and dog ownership by China's urban population for many years was not only due to the relatively high cost of pet maintenance, but also due to strict local government regulations governing specific types of pet ownership. Cat and dog ownership were particularly targeted by these rules. As urban incomes rose over time, making owning a cat or dog more economically viable, enforcement of the regulations became lax. It is now common to see peddlers on the streets of many busy urban shopping areas selling cats and dogs to people who pass by. A local supermarket executive in Shenzhen claimed that the laws regarding particular pets in cities still are strict, but the local authorities rarely bother to enforce these rules.

Owning a cat or dog in urban China can be a sizable investment. A local Guangzhou supermarket executive who owns a dog said that on average feeding and care for his pet dog costs him approximately 1,500 RMB (\$182) per month. For other owners, the cost is less. Concerning costs, food is an important component. At the retail level, consumers at least in southern China pay on average 20 RMB (\$2.42) per kilogram for bagged cat and dog food, and slightly more per kilogram for canned cat and dog food. Much of the cat and dog food for sale at local supermarkets is the dry variety and is usually sold in heavy-duty laminated paper bags.

## **Production and Products in China**

During the last several years, several pet food manufacturers have started production in China. A couple of them are joint ventures, but not all. Imported cat and dog also is available at some retailers and most of these imports come in cans.

Effem Foods in Beijing is probably the largest and currently produces Whiskas brand cat food and Pedegree brand dog food. In China, the company retails its cat and dog food brands in several different package sizes and not all of the retailed product come in a dry form. In addition, not all of the pet food it sells is produced in China, the company also imports some of the food for sale in China from its other factories overseas. Prominent locations include: Australia, New Zealand, and Thailand. Aside from its Pedegree brand dog food, Effem also retails its Cesar brand dog food. Like some of the company's other products, it is imported too.

Pedegree and Whiskas brand products at the present time appear to be the only nationally distributed

cat and dog foods in China. To assist in its distribution efforts, Effem Foods maintains separate Chinese language web sites for each of its major brands in China. These sites not only introduce consumers to its products, but also offers feeding and care suggestions for pets.

Effem is not the only domestic cat and dog food producer in China. At least three other companies in China produce these products too. One is located in Guangzhou, another in Xiamen, and the third is a joint venture located in Chengdu. Unlike Effem though, these companies tend to offer only a single variety of product for cats and another for dogs and all of their products come in a dry form. In addition, their product lines tend to uniform. Each company's product is only available in one size and is packaged in bags.

Heinz's Nine Lives cat food and Skippy dog food are imported brands that have started to appear with greater frequency in the market. Unlike with Effem, nearly all of the Heinz pet food products originate from the United States. Pricewise, their products are usually a little higher than domestically produced food. Although Heinz does have a few factories in China producing consumer products, it is presently unknown whether the company plans to establish a pet food factory in China too.

## **Trade**

China a couple of years ago exported large amounts of cat and dog food, but that situation has recently changed. Although the total trade volumes have decreased over the last three years, China has switched from a net exporter to a net importer. For exports, Japan back in 1999 was the leading destination, but since that time the United States has taken the lead. However, Japan remains as one of China's main export markets. In terms of imports, although China's imports of cat and dog food have continuously risen in recent years, Australia by hundreds of tons has been the main source. The main reason for Australia's status is that Effem Foods sources much of its imports for retail sale in the China market from its factories in Australia.

The effective import tariffs for cat and dog foods in 2002 are 42 percent. In addition to an import duty of 21 percent on products from source countries with Most Favored Nation status, usually fellow members of the World Trade Organization, a Value Added Tax of 17 percent is charged against the value of the import after the initial duty is assessed. China's tariff schedule makes no distinction between product which enters in airtight containers or otherwise packed.

Imports Cat and Dog Food for Retail Sale (HS 2309.1000) Volume: Metric Tons			
Source	1999	2000	2001
Australia	436	784	1,132
United States	34	124	353
New Zealand	0	18	315
Thailand	88	226	210
France	3	5	143
Canada	0	27	39
South Korea	36	0	8
Hong Kong	1	3	2
Macau	22	0	0
Others	5	3	0
TOTAL	625	1,190	2,201

Source: China's Customs Data

Imports Cat and Dog Food for Retail Sale (HS 2309.1000) Value: Thousands of U.S. Dollars			
Source	1999	2000	2001
Australia	295	512	1,006
United States	12	75	171
New Zealand	0	10	452
Thailand	70	167	151
France	7	4	64
Canada	0	18	16
South Korea	12	0	4
Hong Kong	4	3	2
Macau	14	0	0
Others	10	6	0
TOTAL	424	795	1,866

Source: China's Customs Data

Exports Cat and Dog Food for Retail Sale (HS 2309.1000) Volume: Metric Tons			
Destination	1999	2000	2001
United States	310	313	416
Japan	8,561	311	207
Spain	7	13	174
Czech Republic	171	118	86
Hong Kong	1,778	211	56
Switzerland	9	37	47
Great Britain	150	48	42
Vietnam	0	0	20
South Korea	3	0	11
Canada	0	13	5
South Africa	1	3	4
North Korea	2	1	3
Taiwan	93	0	2
Singapore	216	5	2
Malaysia	909	0	0
Thailand	1,441	40	0
Brunei	38	0	0
France	100	0	0
Others	103	63	0
TOTAL	13,892	1,176	1,074

Source: China's Customs Data

Exports Cat and Dog Food for Retail Sale (HS 2309.1000) Value: Thousands of U.S. Dollars			
Destination	1999	2000	2001
United States	756	230	457
Japan	13,476	289	410
Spain	9	21	179
Czech Republic	122	89	60
Hong Kong	1,795	223	71
Switzerland	19	70	52
Great Britain	127	52	59
Vietnam	0	0	4
South Korea	1	0	30
Canada	0	14	1
South Africa	4	8	12
North Korea	2	4	8
Taiwan	55	0	5
Singapore	205	10	4
Malaysia	909	0	0
Thailand	1,462	47	0
Brunei	47	0	0
France	121	0	0
Others	159	58	0
TOTAL	19,269	1,115	1,351

Source: China's Customs Data

China's Tariff Schedule for Dog and Cat Food					
HS Code	Description	Preferential Rate	General Rate	V.A.T. Tax	Effective Tariff
2309.1010	Dog or Cat Food for Retail Sale in Airtight Containers	21	90	17	42
2309.1090	Dog or Cat Food for Retail Sale, Other	21	90	17	42
Source: Customs Import and Export Tariff of the Peoples Republic of China, 2002 Edition					

**Marketing**

While growing cat and dog ownership in China's urban areas points to potentially greater export opportunities for American pet food producers, price probably will continue to influence the chances of success. As with many other products, Chinese importers, distributors, retailers, and consumers focus mostly on price when making purchasing decisions and in all likelihood will continue this practice at least into the near future. In addition, along with price, exporters should emphasize their product's health benefits for pets when courting potential importers.